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1994/08/30

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ACTION: CM(05)

INFO: TC(01) EAP(04) P(01) RA(01) EX(01) PMO(01) UN(01)
CONG(01) EP(02)

----- 30/1059Z A2 DOK (TOTAL COPIES: 010)
ACTION EAP-00

INFO LOG-00 AIT-03 AMAD-01 CIAE-00 OASY-00 BOOE-00 EB-00
E-00 FBIE-00 TEDE-00 INR-00 JUSE-00 ADS-00 NSAE-00
PM-00 P-01 SP-00 SS-00 STR-01 TRSE-00 SA-00
PMB-00 DML-09 /010W

-----6CF0A1 301054Z /38

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FM AMEMBASSY BEIJING

TO SECSTATE WASHDC IMMEDIATE 5915

INFO USDOC WASHDC IMMEDIATE

RUEHSANCONSUL SHENYANG 3572

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AIT TAIPEI 5377

AMEMBASSY TOKYO

AMCONSUL GUANGZHOU

AMCONSUL SHANGHAI

AMCONSUL CHENGDU

United States Department of State
Office of E.O. Privacy & Classification Review
Review Authority: RMARTENS
Date: 11/01/96
Case ID: 04000752

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USDOC FOR 4420/ITA/OCN/DFOREST

USDOC FOR 6600/TO/DAS MOTTUR

USDOC FOR OFFICE OF THE SECRETARY

E.O. 12356: DECL: OADR

TAGS: OVIP (BROWN, ROWALD) ETRD PHUM PREL US CH

SUBJECT: COMMERCE SECRETARY RON BROWN'S AUGUST 29

MEETING WITH CHINESE PREMIER LI PENG

1. CONFIDENTIAL - ENTIRE TEXT.

2. SUMMARY: IN AN AUGUST 29 MEETING WITH CHINESE PREMIER LI PENG, COMMERCE SECRETARY RON BROWN STRESSED THE IMPORTANCE TO U.S.-CHINA RELATIONS OF RENEVING THE BILATERAL DIALOGUE ON HUMAN RIGHTS. HE STATED THAT HIS PURPOSE IN COMING TO CHINA WAS TO STRENGTHEN THE TWO COUNTRIES' ECONOMIC, TRADE, AND INVESTMENT TIES, AND HE SOUGHT LI'S SUPPORT FOR U.S. COMPANIES' CONTRACT BIDS. LI STATED THAT CHINA HAD NO OBJECTION TO A HUMAN RIGHTS DIALOGUE CARRIED OUT ON THE BASIS OF EQUALITY AND MUTUAL RESPECT. HE SAID THAT CHINA WELCOMED U.S. RAW MATERIALS, ADVANCED TECHNOLOGY, AND MANAGERIAL SKILLS. LI MADE A PITCH FOR A PRESIDENT CLINTON VISIT TO CHINA, STATING THAT THE TWO SIDES NEEDED TO GO BEYOND MINISTERIAL AND VICE PREMIER-LEVEL VISITS, AND HINTED THAT SUCH A VISIT WOULD BE REWARDED WITH BUSINESS CONTRACTS. END SUMMARY.

3. COMMERCE SECRETARY ROWALD BROWN MET AUGUST 29 WITH CHINESE PREMIER LI PENG, MINISTER OF TRADE AND FOREIGN ECONOMIC COOPERATION (MOFTEC) WU YI, VICE FOREIGN MINISTER LIU HUAQIU, AND OTHER CHINESE OFFICIALS ALSO ATTENDED. AMBASSADOR ROY, DEPARTMENT OF COMMERCE OFFICIALS, U.S. BUSINESS LEADERS, EMBOTTS, AND AN EMBASSY INTERPRETER ACCOMPANIED SECRETARY BROWN.

4. AFTER OPENING PLEASANTRIES, SECRETARY BROWN LED OFF THE DISCUSSION BY STATING THAT THE U.S. SIDE

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WANTED TO ENHANCE COMMERCIAL RELATIONS BETWEEN THE TWO COUNTRIES. THE U.S. AND CHINA ALREADY HAD MADE GREAT PROGRESS IN THEIR RELATIONS. THE SEATTLE APEC MEETING BETWEEN PRESIDENT CLINTON AND PRESIDENT JIANG ZHENH CONSTITUTED AN IMPORTANT BREAKTHROUGH AND PROVIDED THE TWO LEADERS WITH AN OPPORTUNITY TO BUILD A PERSONAL RELATIONSHIP. BROWN NOTED THAT A VISIT BY MOFTEC MINISTER WU YI TO WASHINGTON IN THE SPRING HAD RESULTED IN A VERY PRODUCTIVE MEETING. WU'S VISIT HAS FOLLOWED SOON AFTER BY PRESIDENT CLINTON'S MEN DECISION, WHICH OPENED THE DOOR FOR A MUCH ENHANCED U.S.-CHINA COMMERCIAL RELATIONSHIP.

5. BROWN EXPRESSED HIS APPRECIATION FOR LI'S ENCOURAGEMENT FOR THE COMMERCIAL OPPORTUNITIES THE TWO COUNTRIES PLANNED TO PURSUE, AND STATED THAT LI'S HELP WOULD BE INSTRUMENTAL IN REACHING A SUCCESSFUL RESULT. THE U.S. WAS LOOKING BEYOND THE HORIZON OF THE BILATERAL COMMERCIAL RELATIONSHIP. IN ORDER FOR THE VISIT TO BE PERCEIVED AS SUCCESSFUL, IT WAS NECESSARY TO SIGN AGREEMENTS ON SPECIFIC TRANSACTIONS AND ON MECHANISMS FOR FUTURE COMMERCIAL TRANSACTIONS. IN THAT REGARD, SAID BROWN, AS THE U.S. SECRETARY OF COMMERCE, HIS FOCUS WAS ON ECONOMICS, TRADE AND COMMERCE.

6. BROWN THEN TOOK THE OPPORTUNITY TO RAISE THE ISSUE OF HUMAN RIGHTS. HE SAID THAT HE REALIZED IT WAS AN ISSUE OF SOME SENSITIVITY, AND THEREFORE, WANTED TO

DEAL WITH IT IN A NON-CONFRONTATIONAL MANNER. BROWN SAID THAT HE WAS SURE THE PREMIER COULD APPRECIATE HOW DIFFICULT PRESIDENT CLINTON'S DECISION ON MFN WAS, AND THAT IT WOULD BE EXTREMELY IMPORTANT FOR THE LONG-TERM U.S.-CHINA RELATIONSHIP TO RESTART THE BILATERAL HUMAN RIGHTS DIALOGUE. REENGAGEMENT ON HUMAN RIGHTS, COUPLED WITH A SUCCESSFUL COMMERCIAL MISSION, WOULD SEND THE MESSAGE THAT PRESIDENT CLINTON'S DECISION ON MFN WAS THE RIGHT ONE, AND WOULD HELP BUILD SUPPORT IN THE U.S. FOR A POSITIVE U.S.-CHINA RELATIONSHIP.

7. FIRST AND FOREMOST, BROWN SAID, THE U.S. AND CHINA HAVE MUCH AT STAKE IN FORGING A CLOSER ECONOMIC RELATIONSHIP. THE U.S., THE WORLD'S LARGEST ECONOMY AND MOST DEVELOPED NATION, WANTED TO STRENGTHEN ITS RELATIONS WITH CHINA, THE WORLD'S LARGEST EMERGING MARKET. THE U.S. WANTED TO WORK CLOSELY WITH CHINA TO FURTHER THEIR TRADE, ECONOMIC, AND INVESTMENT TIES.

8. LI REPLIED THAT THE U.S. WAS THE WORLD'S MOST DEVELOPED NATION AND CHINA WAS THE WORLD'S LARGEST DEVELOPING NATION. IT WAS IMPORTANT TO STRENGTHEN RELATIONS BETWEEN THE TWO COUNTRIES IN EVERY FIELD. HE NOTED THAT SINCE THE TWO PRESIDENTS MET IN SEATTLE DURING THE APEC LEADERS' MEETING, U.S.-CHINA BILATERAL RELATIONS HAD DEVELOPED STRONGLY, AND CHINA WAS PLEASED

9. LI THEN STATED THAT HE WANTED TO MAKE TWO

IMPORTANT POINTS, ALTHOUGH HE WAS NOT SURE BROWN WOULD AGREE WITH HIM. THE FIRST POINT WAS THAT THE WORLD WAS MOVING TOWARD MULTIPOLARITY. IT WAS IMPOSSIBLE FOR ONE COUNTRY TO RULE THE WHOLE WORLD. THEREFORE, A BIG COUNTRY LIKE THE U.S., WEALTHY AND ADVANCED TECHNOLOGICALLY, NEEDED TO COOPERATE WITH OTHER COUNTRIES. THE SECOND POINT WAS THAT ECONOMICS WAS BECOMING INCREASINGLY IMPORTANT IN WORLD

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AFFAIRS. WHILE IDEOLOGY WAS BECOMING INCREASINGLY
PASSE, THE IMPORTANCE OF ECONOMICS WAS IN THE
ASCENDANCY.

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10. CHINA, BASED ON ITS PER CAPITA GNP, WAS STILL A
DEVELOPING COUNTRY, BUT HAD AN ENORMOUS POTENTIAL.
LI PREDICTED THAT CHINA'S ECONOMY WOULD CONTINUE TO
GROW AT THE RATE OF 8-9 PERCENT UNTIL THE END OF THE
CENTURY. TRADE WOULD ALSO GROW AT THE SAME RATE.
CHINA'S TRADE COULD REACH USD 200 BILLION BY THE END
OF 1994 AND USD 400 BILLION BY THE YEAR 2000.

11. IN ADDITION TO CHINA'S ROLE AS A LARGE MARKET,
CHINA AND THE U.S. HAD COMPLEMENTARY ECONOMIES; LI
STRESSED. U.S. PRODUCTS AND HIGH TECHNOLOGY WERE
WELCOME TO ENTER THE CHINESE MARKET. LI LISTED
TRANSPORTATION, MACHINERY, TELECOMMUNICATIONS, AND
ENERGY AS SOME OF THE AREAS WHERE THE U.S. WAS
COMPETITIVE, AND NAMED AT AND T AND MOTOROLA AS TWO
U.S. COMPANIES DOING WELL IN CHINA, WITH MOTOROLA
DOMINATING ITS MARKET. CHINA'S ELECTRICITY INDUSTRY
NEEDED TO INCREASE ITS OUTPUT, AND LI PREDICTED THAT
GE AND WESTINGHOUSE WOULD EXPAND THEIR MARKETS IN

CHINA. HE MENTIONED A JOINT VENTURE CONTRACT
INVOLVING WESTINGHOUSE AND JIANGSU PROVINCE THAT
WOULD BE SIGNED DURING BROWN'S VISIT AND ANOTHER
WESTINGHOUSE PROJECT WITH A COMPANY IN SHANGHAI.
BOTH PROJECTS WERE TECHNOLOGY INTENSIVE. HOWEVER,
CHINA ALSO NEEDED RAW MATERIAL PRODUCTS FROM THE
U.S., SUCH AS WHEAT, CHEMICAL FERTILIZER, AND PULP.
ALTHOUGH CHINA SUPPLIED A LOT OF ITS OWN GRAIN, SAID
LI, IT IMPORTED WHEAT FROM THE U.S. FOR VARIETY.

12. LI RAISED AVIATION AS ANOTHER AREA FOR BILATERAL
COOPERATION. HE SAID THAT ALTHOUGH A
MCDONNELL-DOUGLAS AGREEMENT WOULD NOT BE READY TO SIGN
DURING THE VISIT, A LETTER OF INTENT WOULD BE
SIGNED. LI ALSO NOTED THAT, IN THE AUTOMOTIVE FIELD,
U.S. COMPANIES WERE BEHIND THE GERMANS AND THE
JAPANESE. HOWEVER, CHINA IMPORTED A FAIR NUMBER OF
U.S. VEHICLES. CHRYSLER CORPORATION HAD HAD AN
OPPORTUNITY IN 1987 TO PARTICIPATE IN A JOINT
VENTURE, BUT CHRYSLER'S PRICE WAS TOO HIGH, AND THE
OPPORTUNITY WAS LOST.

13. IN ADDITION TO U.S. TECHNOLOGY AND PRODUCTS,
CHINA WELCOMED OPPORTUNITIES TO LEARN FROM U.S.
MANAGERIAL TECHNIQUES. CHINA WAS PURSUING A MARKET
ECONOMY, BUT CHINA'S VERSION OF THE MARKET ECONOMY
WAS NOT LIKE THAT OF THE U.S. CHINA WANTED LONG-TERM
COOPERATION WITH THE U.S. IN SOFTWARE, AS WELL AS
HARDWARE, AND ON THE BASIS OF EQUALITY AND MUTUAL
BENEFIT. LI SAID THAT PRESIDENT CLINTON'S MFN
DECISION WAS WISE AND CORRECT, AND BENEFICIAL TO THE

U.S. AND CHINA. CHINA HAD NO OBJECTION TO A DIALOGUE
ON HUMAN RIGHTS, BUT THAT DIALOGUE SHOULD TAKE PLACE
ON THE BASIS OF EQUALITY AND MUTUAL RESPECT.

14. LI SAID THAT BROWN'S VISIT GAVE IMPETUS TO THE
COMMERCIAL RELATIONSHIP. HOWEVER, THE EXCHANGE OF
VISITS AT THE HIGHEST LEVEL WAS AN IMPORTANT
INDICATION OF A NORMAL RELATIONSHIP. THERE HAD

ALREADY BEEN VISITS AT THE VICE PREMIER AND
MINISTERIAL LEVEL. BOTH SIDES SHOULD DO MORE TO
PROMOTE VISITS AT A HIGHER LEVEL.

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15. BROWN AGREED WITH LI THAT THE U.S. AND CHINA WERE
INTER-RELATED IN PROFOUND WAYS. NO COUNTRY WAS IN A
POSITION TO DICTATE TO ANOTHER. THE U.S. DID NOT TRY
TO DICTATE TO CHINA, BUT RATHER WANTED TO BUILD
RELATIONS ON THE BASIS OF MUTUAL RESPECT AND TRUST.
ECONOMIC RELATIONS WERE INCREASINGLY IMPORTANT AND
COULD NOT BE SEPARATED FROM THE ISSUE OF SECURITY.
THAT WAS WHY THE FIRST CABINET-LEVEL VISIT TO CHINA
FOLLOWING THE MFN DECISION HAD BEEN LED BY THE
SECRETARY OF COMMERCE.

16. BROWN REFERRED TO THE MCDONNELL-DOUGLAS
AGREEMENT. HE NOTED THAT IT WAS IMPORTANT FOR IT NOT
BE LIMITED TO A LETTER OF INTENT, BUT ALSO TO BE
INCLUDED IN THE SIGNING CEREMONY LATER THAT EVENING
AS A FULL-FLEDGED AGREEMENT. BROWN SAID THAT HE WAS
SURE THAT, WITH LI'S HELP, THE ISSUE COULD REACH A

SUCCESSFUL CONCLUSION. MCDONNELL-DOUGLAS EXECUTIVES
WERE FLEXIBLE. THE SIGNING OF THE AVIATION AGREEMENT
WOULD CONTRIBUTE TO THE VISIT BEING INTERPRETED AS A
SUCCESS. IN ADDITION, IT WOULD HELP PROMOTE
U.S.-CHINA ECONOMIC RELATIONS.

17. REFERRING TO CHRYSLER, BROWN SAID THAT THE
COMPANY'S EXECUTIVES DID NOT WANT TO LET OPPORTUNITY
PASS THEM BY AGAIN. THEY WERE MEETING WITH CHINESE
OFFICIALS AND HOPING TO SIGN AN AGREEMENT BEFORE THE
END OF THE VISIT.

18. LI RESPONDED THAT, IF BOTH SIDES WERE FLEXIBLE
REGARDING THE AVIATION AGREEMENT, THE RESULT WOULD BE
SUCCESSFUL. REGARDING THE AUTOMOTIVE INDUSTRY, LI
SAID THAT VOLKSWAGEN AND CITROEN CONTROLLED THE
DOMESTIC MARKET FOR FOREIGN-DESIGNED AND CO-PRODUCED
AUTOS. EVEN JAPAN COULD ONLY MANAGE A SMALL
TOE-HOLD. CHRYSLER HAD A SMALL PROJECT IN
GUANGDONG. HE HOPED THAT ITS OTHER PROJECT WOULD BE
SUCCESSFUL. LI NOTED THAT THE THREE GORGES PROJECT
WOULD BE THE WORLD'S LARGEST HYDROELECTRIC PROJECT.
HE SAID THAT U.S. SOPHISTICATED ENGINEERING
TECHNOLOGY SUITED CHINA'S NEEDS. CHINA WELCOMED U.S.
FIRMS' PARTICIPATION IN THE THREE GORGES PROJECT.

19. BROWN STATED THAT CHRYSLER HAD SHOWN
EXTRAORDINARY FLEXIBILITY IN ITS NEGOTIATIONS. IT
WAS THE ONLY COMPANY IN THE WORLD WITH EXPERIENCE
BUILDING FRONT-WHEEL DRIVE MINI VANS AT LOW COST. HE
WAS OPTIMISTIC THAT THE PROBLEM WOULD BE RESOLVED,

BECAUSE THE GAP BETWEEN CHRYSLER AND ITS POTENTIAL
PARTNER WAS SMALL. HE EXPRESSED THE HOPE THAT LI
WOULD USE ALL HIS INFLUENCE TO BRING THE CHRYSLER
DEAL TO A SUCCESSFUL CONCLUSION.

20. REGARDING THE BILATERAL HUMAN RIGHTS DIALOGUE,
BROWN SAID IT WAS IMPORTANT THAT THERE BE AN
ANNOUNCEMENT THAT THE DIALOGUE WOULD BE REOPENED, ON
THE BASIS OF EQUALITY AND MUTUAL RESPECT, BEFORE HE
DEPARTED. BROWN DESCRIBED PRESIDENT CLINTON AS BEING
ENTHUSIASTIC ABOUT VISITING CHINA AND INVITING
PRESIDENT JIANG ZEMIN TO THE U.S. HOWEVER, SUCH
MOVES WOULD DEPEND ON HOW THE RELATIONS DEVELOPED,
NOT SOLELY IN THE ECONOMIC REALM, BUT ALSO IN OTHER
AREAS. FOR THAT REASON, SAID BROWN, HE WAS PRESSING
FOR ACHIEVEMENTS NOT JUST IN COMMERCIAL RELATIONS,
BUT ALSO IN THE OTHER AREAS DISCUSSED.

21. LI CONCLUDED BY SAYING THAT THE TWO SIDES SHOULD
MAKE JOINT EFFORTS IN THE SMALL AREA OF THE AUTO

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INDUSTRY AND THE LARGE AREA OF EXCHANGE OF VISITS.
HE PROMISED BROWN THAT HE WOULD NOT GO BACK EMPTY
HANDED, AND ADDED THAT THEY WOULD PREPARE MORE
PROJECTS FOR PRESIDENT CLINTON'S SIGNATURE.

22. THIS CABLE HAS BEEN CLEARED BY SECRETARY BROWN'S
DELEGATION. ROY

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